

PAW PAW TOWNSHIP

Report on Audit of Financial Statements
For the Year Ended
June 30, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Paw Paw Township	County Van Buren
Audit Date 6-30-04	Opinion Date 1-17-05	Date Accountant Report Submitted to State: 2-11-05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

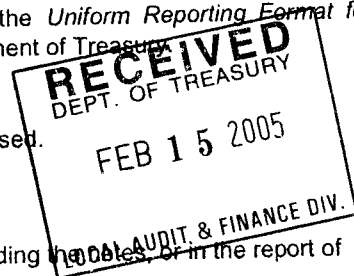
You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Cutting & Cutting, P.C.			
Street Address 303 Paw Paw Street	City Paw Paw	State MI	ZIP 49079
Accountant Signature <i>William A. Cutting</i>		Date 2-11-05	



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January 17, 2005

INDEPENDENT AUDITOR'S REPORT

Paw Paw Township Board
Paw Paw, Michigan 49079

We have audited the accompanying general purpose financial statements of Paw Paw Township as of June 30, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of Paw Paw Township management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and business-type activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Township's governmental activities and business-type activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Paw Paw Township, as of June 30, 2004, or the changes in its financial position or its cash flows, where applicable, for the year then ended.

Cutting & Cutting, P.C.

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
PAW PAW TOWNSHIP
June 30, 2004

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Trust & Agency</u>	<u>General Fixed Assets</u>	<u>Total (Memorandum Only)</u>
Assets							\$ 1,628,251
Cash and equivalents	\$ 639,734	\$ 203,440	\$ 619,004	\$ 160,369	\$ 5,704		173,260
Investments				150,000	23,260		157,534
Accounts receivable	140,680			16,854			2,750
Interest receivable and other				2,750			<u>133,940</u>
Due from other funds	<u>22,470</u>	<u>111,470</u>					2,095,735
Total Current Assets	802,884	314,910	619,004	329,973	28,964		
Land						\$ 85,126	85,126
Building, equipment, etc.				3,203,002		235,772	3,438,774
Allowance for depreciation				(1,321,972)			(1,321,972)
Special assessments receivable				<u>62,569</u>			<u>62,569</u>
Total Assets	\$ <u>802,884</u>	\$ <u>314,910</u>	\$ <u>619,004</u>	\$ <u>2,273,572</u>	\$ <u>28,964</u>	\$ <u>320,898</u>	\$ <u>4,360,232</u>
Liabilities and Fund Equity							\$ 172,056
Accounts payable	\$ 133,944			\$ 33,884	\$ 4,228		956
Undistributed tax collections					956		<u>133,940</u>
Due to other funds	<u>111,470</u>	\$ <u>20,000</u>		<u>1,950</u>	<u>520</u>		306,952
Total Current Liabilities	245,414	20,000		35,834	5,704		
Contributions from other governments				480,129			980,129
Contributions from customers				1,505,711			1,505,711
Contributions from other funds				150,000			150,000
Fund balance (expendable)	557,470	294,910	\$ 619,004				1,471,384
Non-expendable fund balance					23,260		23,260
Retained earnings (deficit)				(398,102)			(398,102)
Investment in general fixed assets						\$ <u>320,898</u>	<u>320,898</u>
Total Fund Equity	<u>557,470</u>	<u>294,910</u>	<u>619,004</u>	<u>2,237,738</u>	<u>23,260</u>	<u>320,898</u>	<u>4,053,280</u>
Total Liabilities and Fund Equity	\$ <u>802,884</u>	\$ <u>314,910</u>	\$ <u>619,004</u>	\$ <u>2,273,572</u>	\$ <u>28,964</u>	\$ <u>320,898</u>	\$ <u>4,360,232</u>

See notes to financial statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-ALL GOVERNMENTAL FUND TYPES AND
EXPENDABLE TRUST FUND
PAW PAW TOWNSHIP
Year ended June 30, 2004

	<u>Governmental Fund Type</u>			Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Revenues				
Taxes	\$ 169,735	\$ 168,254		\$ 337,989
Licenses and permits	17,474			17,474
Intergovernmental revenues	214,720	1,481		216,201
Charges for services	113,631	38,530		152,161
Interest and miscellaneous	<u>8,909</u>	<u>2,276</u>	\$ <u>2,866</u>	<u>14,051</u>
	524,469	210,541	2,866	737,876
Expenditures				
General government	261,894			261,894
Public safety	29,387	115,914		145,301
Highways and streets	250,178			250,178
Capital outlay	<u>16,738</u>	<u> </u>	<u> </u>	<u>16,738</u>
	<u>558,197</u>	<u>115,914</u>	<u> </u>	<u>674,111</u>
Excess of revenues over expenditures	(33,728)	94,627	2,866	63,765
Other financing sources (uses)				
Transfers in			50,000	50,000
Transfers out	<u>(50,000)</u>		<u> </u>	<u>(50,000)</u>
	<u>(50,000)</u>		<u>50,000</u>	<u> </u>
Excess of revenues and other sources over expenditures and other uses	(83,728)	94,627	52,866	63,765
Beginning fund balance	<u>641,198</u>	<u>220,283</u>	<u>566,138</u>	<u>1,427,619</u>
Ending fund balance	\$ <u>557,470</u>	\$ <u>314,910</u>	\$ <u>619,004</u>	\$ <u>1,491,384</u>

See notes to financial statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL-
GENERAL AND SPECIAL REVENUE FUND TYPES
PAW PAW TOWNSHIP
Year ended June 30, 2004

	<u>General Fund</u>			<u>Special Revenue Funds</u>		
	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues						
Taxes	\$ 173,450	\$ 169,735	\$ (3,715)	\$ 168,000	\$ 168,254	\$ 254
Licenses and permits	15,175	17,474	2,299			
Intergovernmental	250,000	214,720	(35,280)	1,481	1,481	
Charges for services	109,000	113,631	4,631	31,500	38,530	7,030
Interest and miscellaneous	14,200	8,909	(5,291)	3,200	2,276	924
	<u>561,825</u>	<u>524,469</u>	<u>(37,356)</u>	<u>204,181</u>	<u>210,541</u>	<u>6,360</u>
Expenditures						
General government	312,310	261,894	50,416			
Public safety	650	485	165	131,750	115,914	15,836
Public works	256,000	250,178	5,822			
Community development	28,400	28,902	(502)			
Capital outlay	<u>15,500</u>	<u>16,738</u>	<u>(1,238)</u>			
	<u>612,860</u>	<u>558,197</u>	<u>54,663</u>	<u>131,750</u>	<u>115,914</u>	<u>15,836</u>
Excess of revenues over expenditures	(51,035)	(33,728)	17,307	72,431	94,627	22,196
Other financing sources (uses)						
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>				
Excess of revenues and other sources over expenditures and other uses	\$ <u>(101,035)</u>	(83,728)	\$ <u>17,307</u>	\$ <u>72,431</u>	94,627	\$ <u>22,196</u>
Beginning fund balance		<u>641,198</u>			<u>220,283</u>	
Ending fund balance		\$ <u>557,470</u>			\$ <u>314,910</u>	

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
PAW PAW TOWNSHIP
June 30, 2004

1. Summary of Significant Accounting Policies

A. Reporting Entity

In accordance with generally accepted accounting principles and Government Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township (primary government). The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Township has determined that no outside agency meets the above criteria and, therefore, no outside agency has been included as a blended or discretely presented component unit in the Township's financial statements.

B. Fund Accounting

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate.

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - This Fund is used to account for the acquisition or construction of major capital facilities other than those financed by proprietary fund operations and special assessments.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

FIDUCIARY FUNDS

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources".

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

E. Budgets and Budgetary Accounting

The Township prepares a budget and a budget hearing is held. The budget is adopted at the June meeting for the next fiscal year. The budget is amended from time to time when necessary by the Township Board.

The Township exceeded the appropriated amount as shown on the budget comparison statement on page 14.

F. Total Columns on Combined Statements-Overview

Total columns on the Combined Statements-Overview are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of these data.

2. Property Tax

The Township taxes are levied and become a lien on each December 1st based on the taxable valuation of property located in the Township as of the preceding December 31st. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county delinquent tax rolls.

Although the Township 2002 ad valorem tax is levied and collectible on December 1, 2003, it is the Township's policy to recognize revenue from the current tax levy to be revenue of the current year.

The 2003 taxable valuation of the Township totaled \$181,669,683 on which ad valorem taxes levied consisted of .836 mills for the Township's operating purposes, and 1 mill for fire protection.

In the summer, the Township also collects the State Education Tax and the Village of Paw Paw Tax.

3. Depreciation

Proprietary fund assets are capitalized and depreciated over their estimated useful lives using the straight-line method.

A summary of proprietary fund type property, plant and equipment at June 30, 2004 follows:

	<u>Sewer Fund</u>	<u>Depreciable Life-years</u>	<u>Depreciation for Period</u>
Sewer equipment	\$ 539,289	10-20	\$ 16,477
Office equipment	258	10	- 0 -
Sewer system	<u>2,663,455</u>	50	<u>54,109</u>
	3,203,002		\$ <u>70,586</u>
Less accumulated depreciation	<u>1,321,972</u>		
	\$ <u>1,881,030</u>		

4. Surplus Funds

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involve no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township's deposits and investments are in accordance with statutory authority.

5. Cash and Investments

The Township maintains deposits in four local financial institutions. The deposits are in checking accounts, money market savings, or certificates of deposit. Certain of the deposits are certificates of deposit with a maturity greater than three months. These deposits have been presented as investments for financial reporting purposes.

<u>Deposits</u>	<u>Bank</u>	<u>Book</u>
Insured (FDIC)	\$ 500,000	\$ 500,000
Uninsured	<u>1,310,499</u>	<u>1,301,361</u>
	1,810,499	1,801,361
Petty Cash on Hand		<u>150</u>
Cash and cash equivalent	\$ <u>1,810,499</u>	\$ <u>1,801,511</u>

6. EMPLOYEES' RETIREMENT SYSTEM--DEFINED CONTRIBUTION

Plan Description

The Township has a defined contribution pension plan covering most elected members of the Township Board and the Deputy Treasurer. This benefit is an insurance-type plan administered under the provisions of Section 401(a) of the Internal Revenue Code.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on the investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. The plan requires the employer to contribute fourteen percent of the participating employee's gross wages, with immediate vesting. There is also a contract charge of 6 percent plus a participant fee of \$30 per employee covered.

During the period the Township's required and actual contribution amounted to \$10,680, which was fourteen percent of its current period covered payroll of \$76,286 out of a total payroll of \$103,870. The plan is funded through the Manufacturers Life Insurance Company and had the following activity since the last report.

Balance, June 30, 2003	\$ 87,550
Add: Contributions	10,680
Investment gains and transfers	<u>14,440</u>
	25,120
Less: Withdrawals	<u>- 0 -</u>
Balance, June 30, 2004	\$ <u>112,670</u>

7. The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Township employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The Township funds all amounts of compensation deferred under the Plan, at the direction of the covered employee, through investments in variable annuity contracts and other investment options managed by Aetna Life Insurance and Annuity Company.

8. At the end of the year under audit, the following funds had a deficit in fund balance or retained earnings in the amounts shown.

Sewer Fund \$ 398,102

9. A summary of changes in general fixed assets follows:

	Balance June 30, 2003	Additions	Balance June 30, 2004
Assets			
Land	\$ 85,126		\$ 85,126
Land improvements	28,760		28,760
Building	84,885		84,885
Machinery and equipment	14,148		14,148
Office furniture and fixtures	<u>91,241</u>	\$ <u>16,738</u>	<u>107,979</u>
	\$ <u>304,160</u>	\$ <u>16,738</u>	\$ <u>320,898</u>

10. Risk Management
The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries. The Township has purchased commercial insurance for claims relating to general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, buildings and contents) and workers compensation. Limits range from \$1,500 to \$4,000,000 based on the particular coverage.

COMBINING BALANCE SHEET-SPECIAL REVENUE FUNDS
PAW PAW TOWNSHIP
June 30, 2004

	<u>Road Improvement</u>	<u>Fire</u>	<u>Liquor Law Enforcement</u>	<u>Building Inspection</u>	<u>Total</u>
Assets					
Cash and equivalents	\$ 32,323	\$ 152,937	\$ 8,464	\$ 9,716	\$ 203,440
Due from other funds	<u>110,000</u>	<u> </u>	<u>1,470</u>	<u> </u>	<u>111,470</u>
	\$ <u>142,323</u>	\$ <u>152,937</u>	\$ <u>9,934</u>	\$ <u>9,716</u>	\$ <u>314,910</u>
Liabilities and Fund Balance					
Due to other funds		\$ 20,000			\$ 20,000
Fund balance	<u>142,323</u>	<u>132,937</u>	<u>9,934</u>	<u>9,716</u>	<u>294,910</u>
	\$ <u>142,323</u>	\$ <u>152,937</u>	\$ <u>9,934</u>	\$ <u>9,716</u>	\$ <u>314,910</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Year ended June 30, 2004

Revenues					
Taxes		\$ 168,254			\$ 168,254
Intergovernmental			\$ 1,481		1,481
Fees				\$ 38,530	38,530
Interest income	\$ <u>1,875</u>	<u>401</u>	<u> </u>	<u> </u>	<u>2,276</u>
	1,875	168,655	1,481	38,530	210,541
Expenditures					
Public safety	<u> </u>	<u>94,771</u>	<u>4,999</u>	<u>36,144</u>	<u>135,914</u>
Excess of revenues over expenditures	1,875	73,884	(3,518)	2,386	74,627
Beginning fund balance	<u>140,448</u>	<u>59,053</u>	<u>13,452</u>	<u>7,330</u>	<u>220,283</u>
Ending fund balance	\$ <u>142,323</u>	\$ <u>132,937</u>	\$ <u>9,934</u>	\$ <u>9,716</u>	\$ <u>294,910</u>

COMBINING BALANCE SHEET-CAPITAL PROJECTS FUNDS
PAW PAW TOWNSHIP
June 30, 2004

	<u>Capital Improvement</u>	<u>Cemetery Improvement</u>	<u>Township Building</u>	<u>Total</u>
Assets				
Cash and equivalents	\$ <u>104,949</u>	\$ <u>10,298</u>	\$ <u>503,757</u>	\$ <u>619,004</u>
Liabilities and Fund Balance				
Fund balance	\$ <u>104,949</u>	\$ <u>10,298</u>	\$ <u>503,757</u>	\$ <u>619,004</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Year ended June 30, 2004

Revenues				
Interest	\$ <u>207</u>		\$ <u>2,659</u>	\$ <u>2,866</u>
Excess of revenues over expenditures	207		2,659	2,866
Other financing sources	<u> </u>		<u>50,000</u>	<u>50,000</u>
Excess of revenues and other financing sources over expenditures and other uses	207		52,659	52,866
Beginning fund balance	<u>104,742</u>	\$ <u>10,298</u>	<u>451,098</u>	<u>566,138</u>
Ending fund balance	\$ <u>104,949</u>	\$ <u>10,298</u>	\$ <u>503,757</u>	\$ <u>619,004</u>

COMBINING BALANCE SHEET-TRUST AND AGENCY FUNDS
PAW PAW TOWNSHIP
June 30, 2004

	Trust and <u>Agency</u>	Current <u>Tax</u>	Cemetery <u>Trust</u>	<u>Total</u>
Assets				
Cash and equivalents	\$ 5,184	\$ 520		\$ 5,704
Investments	<u> </u>	<u> </u>	\$ <u>23,260</u>	<u>23,260</u>
	\$ <u>5,184</u>	\$ <u>520</u>	\$ <u>23,260</u>	\$ <u>28,964</u>
Liabilities and Fund Balance				
Due to other funds		\$ 520		\$ 520
Undistributed tax collections	\$ 956			956
Withheld payroll items	4,228			4,228
Non-expendable fund balance	<u> </u>	<u> </u>	\$ <u>23,260</u>	<u>23,260</u>
	\$ <u>5,184</u>	\$ <u>520</u>	\$ <u>23,260</u>	\$ <u>28,964</u>

BALANCE SHEET
GENERAL FUND
PAW PAW TOWNSHIP
June 30

	<u>2004</u>	<u>2003</u>
Assets		
Cash and equivalents	\$ 639,734	\$ 446,067
Investments		220,332
Assessments receivable	97,397	161,865
Accrued interest receivable		1,224
Due from the State of Michigan	43,283	48,631
Due from other funds	<u>22,470</u>	<u>1,950</u>
	\$ <u>802,884</u>	\$ <u>880,069</u>
Liabilities and Fund Balance		
Accounts payable	\$ 133,944	\$ 237,401
Due to other funds	<u>111,470</u>	<u>1,470</u>
Current liabilities	245,414	238,871
Fund balance	<u>557,470</u>	<u>641,198</u>
	\$ <u>802,884</u>	\$ <u>880,069</u>

STATEMENT OF CHANGES IN FUND BALANCE
Year ended June 30

Summary of revenues and expenditures		
Revenues	\$ 524,469	\$ 548,755
Expenditures	<u>558,197</u>	<u>482,448</u>
Excess of revenues over expenditures	(33,728)	66,307
Other financing sources and uses		
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>
	<u>(50,000)</u>	<u>(50,000)</u>
Excess of revenues and other sources over expenditures and other uses	(83,728)	16,307
Beginning fund balance	<u>641,198</u>	<u>624,891</u>
Ending fund balance	\$ <u>557,470</u>	\$ <u>641,198</u>

STATEMENT OF REVENUES
GENERAL FUND
PAW PAW TOWNSHIP
Year ended June 30

	<u>2004</u>		Variance Favorable (Unfavorable)	<u>2003</u>
	<u>Budget</u>	<u>Actual</u>		
Property taxes	\$ 173,450	\$ 169,735	\$ (3,715)	\$ 157,975
Licenses and permits	15,175	17,474	2,299	11,715
State shared revenues	250,000	214,720	(35,280)	280,105
Charges for services	109,000	113,631	4,631	82,599
Interest earnings	13,000	7,337	(5,663)	9,508
Miscellaneous	<u>1,200</u>	<u>1,572</u>	<u>372</u>	<u>6,853</u>
	\$ <u>561,825</u>	\$ <u>524,469</u>	\$ <u>(37,356)</u>	\$ <u>548,755</u>

STATEMENT OF EXPENDITURES
GENERAL FUND
PAW PAW TOWNSHIP
Year ended June 30

	<u>2004</u>		Variance Favorable (Unfavorable)	<u>2003</u>
	<u>Amended Budget</u>	<u>Actual</u>		
General government				
Township Board	\$ 92,200	\$ 78,303	\$ 13,897	\$ 86,098
Supervisor	20,200	20,693	(493)	19,301
Election	15,300	2,326	12,974	14,363
Assessor	36,200	33,236	2,964	33,406
Clerk	21,700	22,500	(800)	21,766
Board of Review	1,460	1,343	117	2,278
Treasurer	40,500	38,517	1,983	34,158
Building and Grounds	22,400	7,515	14,885	8,336
Cemetery	<u>62,350</u>	<u>57,461</u>	<u>4,889</u>	<u>38,875</u>
	312,310	261,894	50,416	258,581
Fire	650	485	165	45,167
Roads, streets and bridges	250,500	247,703	2,797	150,023
Drains	5,500	2,475	3,025	5,345
Planning and zoning	28,400	28,902	(502)	20,716
Capital outlay	<u>15,500</u>	<u>16,738</u>	<u>(1,238)</u>	<u>2,616</u>
	\$ <u>612,860</u>	\$ <u>558,197</u>	\$ <u>54,663</u>	\$ <u>482,448</u>
Contributions to other funds				
Building	\$ <u>50,000</u>	\$ <u>50,000</u>		\$ <u>50,000</u>

BALANCE SHEET
SEWER FUND
PAW PAW TOWNSHIP
June 30

	<u>2004</u>	<u>2003</u>
Assets		
Cash and equivalents	\$ 160,369	\$ 136,475
Investments	150,000	150,000
Accounts receivable	16,854	21,066
Interest receivable	<u>2,750</u>	<u>2,750</u>
Total Current Assets	329,973	310,291
Fixed assets		
Sewer system	2,663,455	2,663,455
Machinery and equipment	<u>539,547</u>	<u>536,788</u>
	3,203,002	3,200,243
Allowance for depreciation	<u>(1,321,972)</u>	<u>(1,251,386)</u>
	1,881,030	1,948,857
Special assessments receivable	<u>62,569</u>	<u>70,869</u>
Total Assets	\$ <u>2,273,572</u>	\$ <u>2,330,017</u>
Liabilities and Fund Equity		
Accounts payable	\$ 33,884	\$ 28,347
Due to other funds	<u>1,950</u>	<u>1,950</u>
Total Current Liabilities	35,834	30,297
Contributions in aid of construction-		
Federal and State grants-net of		
grant funded depreciation	980,129	1,012,574
Customers	1,505,711	1,481,711
Other funds	<u>150,000</u>	<u>150,000</u>
	2,635,840	2,644,285
Retained earnings (deficit)	<u>(398,102)</u>	<u>(344,565)</u>
Total Fund Equity	<u>2,237,738</u>	<u>2,299,720</u>
Total Liabilities and Fund Equity	\$ <u>2,273,572</u>	\$ <u>2,330,017</u>

STATEMENT OF INCOME AND RETAINED EARNINGS
SEWER FUND
PAW PAW TOWNSHIP
Years ended June 30

	<u>2004</u>	<u>2003</u>
Operating revenues		
Monthly usage charge	\$ 194,557	\$ 195,812
Penalties and other	<u>2,941</u>	<u>2,472</u>
	197,498	198,284
Operating expenses		
Wages and benefits	23,265	28,444
Supplies and software	12	400
Sewer service charge	136,774	149,363
Professional fees	5,035	3,320
Utilities	3,634	3,500
Repair and maintenance	51,256	55,547
Depreciation	70,586	82,174
Miscellaneous and other	<u>1,413</u>	<u>550</u>
	<u>291,975</u>	<u>323,298</u>
Operating income (loss)	<u>(94,477)</u>	<u>(125,014)</u>
Non-operating income		
Interest	<u>8,495</u>	<u>6,961</u>
Net income (loss)	(85,982)	(118,053)
Add back: depreciation on fixed assets acquired by grants	32,445	41,209
Beginning retained earnings (deficit)	<u>(344,565)</u>	<u>(267,721)</u>
Ending retained earnings (deficit)	\$ <u>(398,102)</u>	\$ <u>(344,565)</u>

STATEMENT OF CASH FLOWS
SEWER FUND
PAW PAW TOWNSHIP
Years ended June 30

	<u>2004</u>	<u>2003</u>
Cash Flows from Operating Activities		
Cash received from customers	\$ 201,710	\$ 202,492
Cash payments to suppliers for goods and services	(192,587)	(192,270)
Cash payments to employees for services	<u>(23,265)</u>	<u>(28,444)</u>
Net cash provided by operating activities	(14,142)	(18,222)
 Cash Flows from Capital and Related Financing activities		
Capital acquisition of equipment	(2,759)	(58,634)
Contributed Capital	32,300	38,949
Interest received on Special Assessments Receivable	<u>6,218</u>	<u>11,325</u>
Net cash used for capital and related financing activities	35,759	(8,360)
 Cash Flows from Investing Activities		
Interest received on investments	<u>2,277</u>	<u>1,836</u>
Net cash provided by investing activities	<u>2,277</u>	<u>1,836</u>
 Increase (decrease) in cash	23,894	(24,746)
Cash and equivalent prior year end	<u>136,475</u>	<u>161,221</u>
 Cash and equivalent current year end	\$ <u>160,369</u>	\$ <u>136,475</u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ (94,477)	\$ (125,014)
Adjustments to Reconcile Operating (Income) to Net Cash Provided by Operating Activities:		
Depreciation	70,586	82,174
Changes in assets and liabilities		
(Increase) Decrease in accounts receivable (gross)	4,212	4,208
Increase (Decrease) in accounts payable (operations)	<u>5,537</u>	<u>20,410</u>
Total adjustments	<u>80,335</u>	<u>106,792</u>
 Net Cash Provided by Operating Activities	\$ <u>(14,142)</u>	\$ <u>(18,222)</u>

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January 17, 2005

Paw Paw Township Board
Paw Paw, Michigan

The audit work necessary to express an opinion on the financial statements of Paw Paw Township included a review of the Township's accounting procedures and the related internal controls. As a result of this review we offer comments and recommendations for your consideration.

Repeat of Prior Comments

Accounting Issues

Again this year we noticed that bank reconcilements were not being done. This is a very important procedure and should be done promptly each month. All checks should be issued in check number order and they should all be entered in the accounting records as of the date issued, not a later date.

General Office Procedures

In the interest of office efficiency, we recommend that paid bills be segregated by fiscal year. All bank statements should include the cancelled checks when returned to the Township.

Internal Controls

There is not adequate segregation of duties in the accounting function. However, because of lack of personnel, this situation is not unusual in small governmental units.

Delinquent Personal Property Taxes

More effort should be expended on the collection of personal property taxes.

The above comments are submitted to you to develop good accounting procedures and are not intended to reflect upon the performance of any individual.

Cutting & Cutting, P.C.